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BEFORE THE
DEPARTMENT OF TRANSPORTATION
WASHINGTON, D.C.

DEPARTMENT OF TRANSPORTATION
95 MAR 14 PM 4:58
DOCKET SECTION

OST-95-206-3

U.S. TORONTO SERVICE PROCEEDING

Docket 50168

DIRECT EXHIBITS OF
CONTINENTAL AIRLINES, INC.

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March 14, 1995

Note: See letter off correction attached

CONTINENTAL AIRLINES, INC.

TORONTO DIRECT EXHIBITS

<u>Exhibit Number</u>	<u>Title</u>	<u>Number Of Pages</u>
Series 100 <u>Introduction And Summary</u>		
CO-100	Introduction To Direct Exhibits	3
Series 200 <u>Service And Fares</u>		
CO-200	Narrative Introduction To Series 200 Exhibits	1
CO-201	Continental's Proposed Newark-Toronto Schedules (Year Round)	2
CO-202	Connecting Opportunities At Newark To/From Continental's Proposed Toronto Service	4
CO-203	Continental's Newark Route System With Proposed Toronto Service	1
CO-204	Continental's Proposed Passenger Fares	2
CO-205	Continental's Cargo Traffic Forecast And Cargo Rates	1
Series 300 <u>Traffic Forecast</u>		
CO-300	Narrative Introduction To Traffic Forecast	2
CO-301	Continental's Passenger Forecast (U.S. To Toronto, Canada)	2

CONTINENTAL AIRLINES, INC.

TORONTO DIRECT EXHIBITS

<u>Exhibit Number</u>	<u>Title</u>	<u>Number Of Pages</u>
Series 400 <u>Financial</u>		
CO-400	Narrative Introducton To Financial Projections	1
CO-401	Continental's Estimated Profit And Loss Statement	4
CO-402	Continental's Estimated Start Up Costs For Toronto	1
Series 500 <u>Carrier Selection</u>		
CO-500	Newark/New York Is The Largest U.S.-Toronto Market	2
CO-501	Continental Will Be Able To Access 20 Interior Canadian Points Through Its Alliance With Air Carriers	1
CO-502	Most Other Applicants Already Have Access At Toronto	2
Series 600 <u>Miscellaneous</u>		
CO-600	Continental's Responses To Interrogatories	1

CONTINENTAL AIRLINES, INC.

INTRODUCTION TO DIRECT EXHIBITS

Continental's direct exhibits show that Continental's proposed Toronto service will expand options and benefits for the greatest numbers of travelers by providing service at New York/Newark, the largest Toronto O&D market. New York/Newark is by far the largest U.S.-Canada market lacking competitive service by two U.S.-flag carriers. New York/Newark-Toronto is twice the size of Chicago-Toronto, which has two U.S.-flag competitors already. The Pittsburgh market (which is currently served by two U.S. carriers under interim exemption authority) is only 4% of New York, Minneapolis/St. Paul is only 7% of New York, Atlanta is only 12% of New York and St. Louis is only 4% of New York.

Continental today has no direct Toronto access, and Newark has had no U.S.-flag Toronto service since American abandoned the Newark-Toronto market years ago. Indeed, Continental is the only carrier with a major domestic hub in the east seeking its first hub access at Toronto. As Exhibit CO-502 shows, other applicants with eastern hubs already have Toronto access, and USAir has already abandoned as many gateways as the U.S. has available to it in the first year of the new "open skies" agreement.

Continental is proposing two daily roundtrip flights -- the maximum permitted -- at its Newark hub operating Boeing 737-300 aircraft. Continental also plans to place its code on Air Canada's Newark-Toronto and LaGuardia-

Toronto flights. One Continental Newark-Toronto flight will provide through service for Orlando, and the other flight will provide through service for Fort Lauderdale. (Exhibit CO-201) Both flights will connect with numerous Continental flights at Newark, including both business and pleasure travel points.

As shown on Exhibit CO-301, Continental's proposed U.S.-Toronto flights will benefit 142,421 total annual passengers. Of these, 59,964 passengers will be local Newark-Toronto passengers. Through traffic would be distributed among 53 U.S. points. One-stop service will benefit 7,058 Ft. Lauderdale and 12,879 Orlando passengers annually. Continental has prepared its current forecast of behind/beyond traffic in light of recent developments, such as projected services introduced or proposed by U.S. and Canadian carriers.

Continental's forecast includes a minimal code-sharing premium reflecting the likelihood of a Continental/Air Canada code-sharing agreement for Newark-Toronto traffic. Continental's forecast also includes a small amount of Canada-Europe traffic.

Continental will compete for transborder traffic as it competes for domestic U.S. traffic by providing innovative fares and rates to serve the market. Continental's initial proposed fares and rates are comparable to those in the market today, which Continental believes reflect competitive pricing levels. (Exhibits CO-200, 204)

Continental's firm date for instituting service in the Newark-Toronto market is June 22, 1995. Continental's fleet includes 59 B-737-300 aircraft, and

additional B-737-300's will be delivered in 1995. Continental is currently realigning its domestic route system, and the realignment will provide the necessary aircraft time. Continental estimates that its Newark/New York-Toronto service will consume 1.6 million gallons of fuel annually.

Since no final decisions have been reached on specific Continental code-sharing arrangements with Air Canada, a description of the proposed code-share services cannot be provided at this time. Nonetheless, Continental intends to provide code-share services between its points in the U.S. served through Newark and both Toronto and points served by Air Canada through Toronto. (CO-501) These code-share services will enable Continental to market transportation between the U.S. and points beyond Toronto far more effectively than other applicants can.

[15041784]

CONTINENTAL AIRLINES, INC.

NARRATIVE INTRODUCTION TO SERIES 200 EXHIBITS

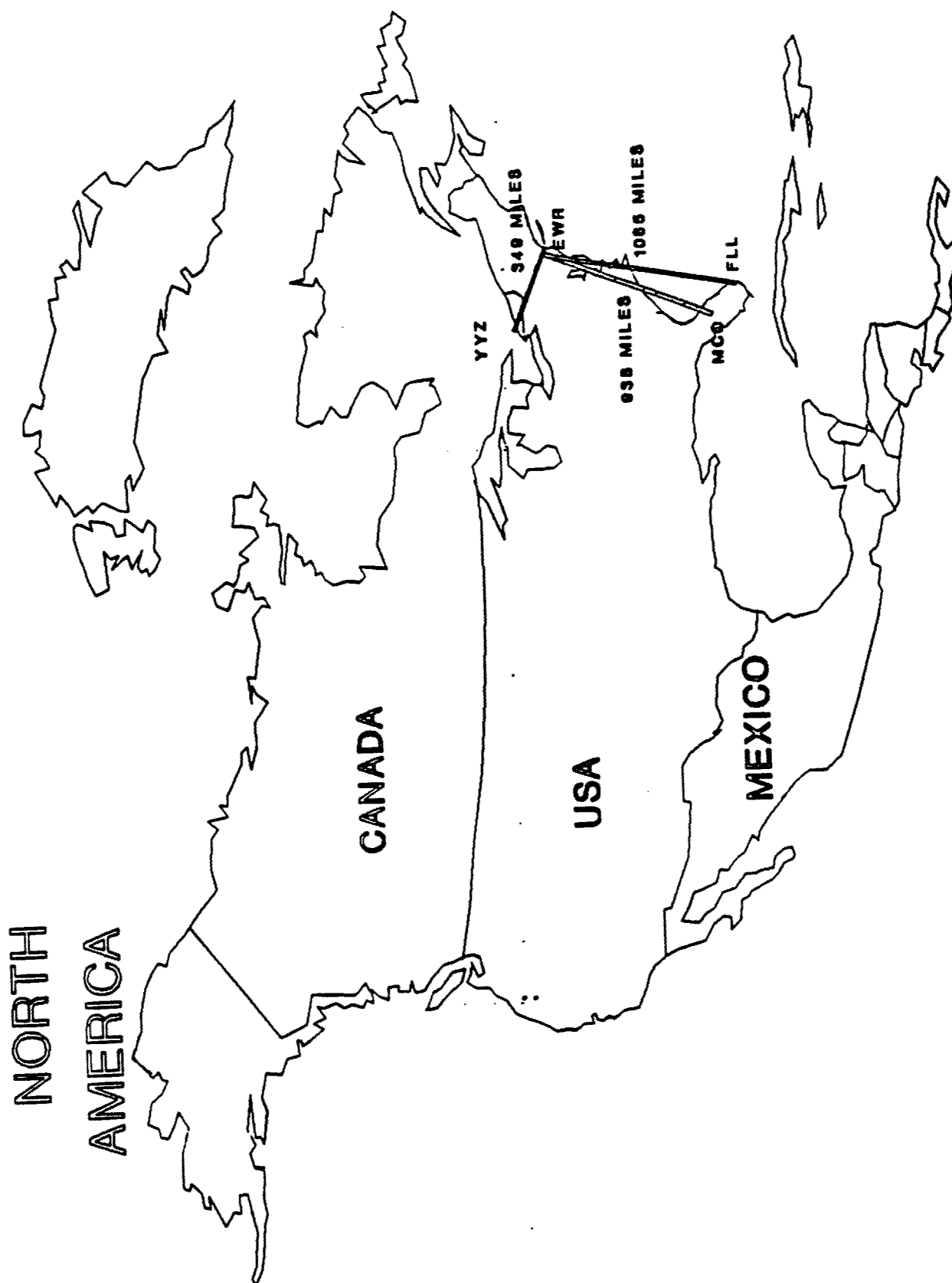
Continental has proposed the maximum service permitted in the first year of the U.S.-Canada agreement, two daily roundtrip flights. Continental's B-737 service will restore U.S.-flag service in the Newark-Toronto market, offer competitive through-plane service between Toronto and both Ft. Lauderdale and Orlando, and integrate on-line Toronto-Newark service with other flights at Continental's Newark hub. Consumers will also benefit from Continental's ability to code-share on Air Canada flights serving points beyond Toronto to provide seamless service between points in the U.S. and points in Canada served through Toronto by Air Canada and its alliance commuters. Finally, Continental's ability to code-share with Air Canada on its Newark and LaGuardia-Toronto flights will enable it to provide additional on-line code-share service between U.S. points and Toronto which would not otherwise be available. Continental will also transport significant amounts of cargo between Newark and Toronto.

Continental will price its passenger and cargo service competitively, just as Continental does in other markets today. Continental's proposed fares are based on competitive fares available in the marketplace today.

CONTINENTAL'S PROPOSED NEWARK-TORONTO SCHEDULES YEAR ROUND

<u>DAILY 737-300 CO-402</u>	<u>DAILY 737-300 CO-254</u>		<u>DAILY 737-300 CO-751</u>	<u>DAILY 737-300 CO-345</u>
1120		ORLANDO	2308	
↓	1620	FT. LAUDERDALE	↑	1315
1358	↓	NEWARK	2015	↑
1504	2030	NEWARK	1910	1020
↓	↓		↓	0930
1634	2200	TORONTO (Pearson)	1750	0810

Seating configuration: 737-300 (10 First Class, 118 Coach)



YYZ - EWR CONNECTIONS FROM CO 751

DEPARTURES

ARRIVALS

LV YYZ
ARR EWR

17.50
19.10

ARR MCO 22.33

MCO	19.40
SYR	19.45
IAH	19.50
GSO	19.50
RSW	19.50
CLE	19.50
JAX	19.50
BGR	19.55
BUF	19.55
PHX	19.55
ACY	19.55
STL	19.55
PHL	19.55
FRA	20.00
ORD	20.00
PVD	20.00
DCA	20.00
RIC	20.00
ABE	20.00
BOS	20.00
BGM	20.00
ATL	20.00
SRQ	20.05
MIA	20.05
TPA	20.05
LAX	20.10
MCI	20.10
MHT	20.15
BTX	20.15
ROC	20.15
MDT	20.15
MAD	20.15
ORH	20.15
DTW	20.15
ALB	20.20
PBI	20.30
BWI	20.30
DAY	20.35
FLL	20.35
PWM	21.05
BDL	21.10

MINIMUM CONNECTION TIME IS 30 MINUTES

YYZ – EWR
CONNECTIONS
FROM CO 345

ARRIVALS

LV YYZ 8.10
ARR EWR 9.30

DEPARTURES

ATL	10.00
ACY	10.00
BOS	10.00
ORH	10.00
PHL	10.10
RIC	10.15
TPA	10.20
FLL	10.20
PBI	10.25
DTW	10.25
MHT	10.25
DAB	10.25
CUN	10.25
RSW	10.25
PWM	10.25
BUF	10.30
SJU	10.35
ABE	10.35
DEN	10.35
BGR	10.40
PVD	10.40
IAH	10.45
MIA	10.45
MCO	11.00
ORD	11.00
DCA	11.00
ROC	11.20
ORF	11.40
MDT	11.40
BDL	11.45
CLE	11.50
CMH	12.05
IND	12.30
ALB	12.30

ARR FLL 13.15

MINIMUM CONNECTION TIME IS 30 MINUTES

EWR-YYZ CONNECTIONS TO CO 402

	<u>ARRIVALS</u>	<u>DEPARTURES</u>
	FBU	12.05
	ARN	12.10
	CPH	12.10
	PIT	12.15
	RIC	12.24
	SYR	12.30
	ORH	12.38
	BGR	13.00
	CMH	13.06
	MHT	13.16
	IND	13.19
	DAY	13.25
	BUF	13.26
	CLE	13.28
	PHL	13.30
	DEN	13.43
	MDT	13.50
	BDL	13.55
LV MCO 11.20	MCO	13.58
	BWI	14.00
	LGW	14.00
	ORD	14.00
	ORY	14.00
	PWM	14.05
	DCA	14.07
	JAX	14.08
	ATL	14.15
	FRA	14.15
	IAH	14.15
	MAD	14.15
	PVD	14.15
	BOS	14.17
	MSP	14.18
	DTW	14.20
	ROC	14.25
	LIN	14.30
	MLB	14.34

LV EWR 15.04
ARR YYZ 16.34

MINIMUM CONNECTION TIME IS 30 MINUTES

EWR-YYZ CONNECTIONS TO CO 254

DEPARTURES

ARRIVALS

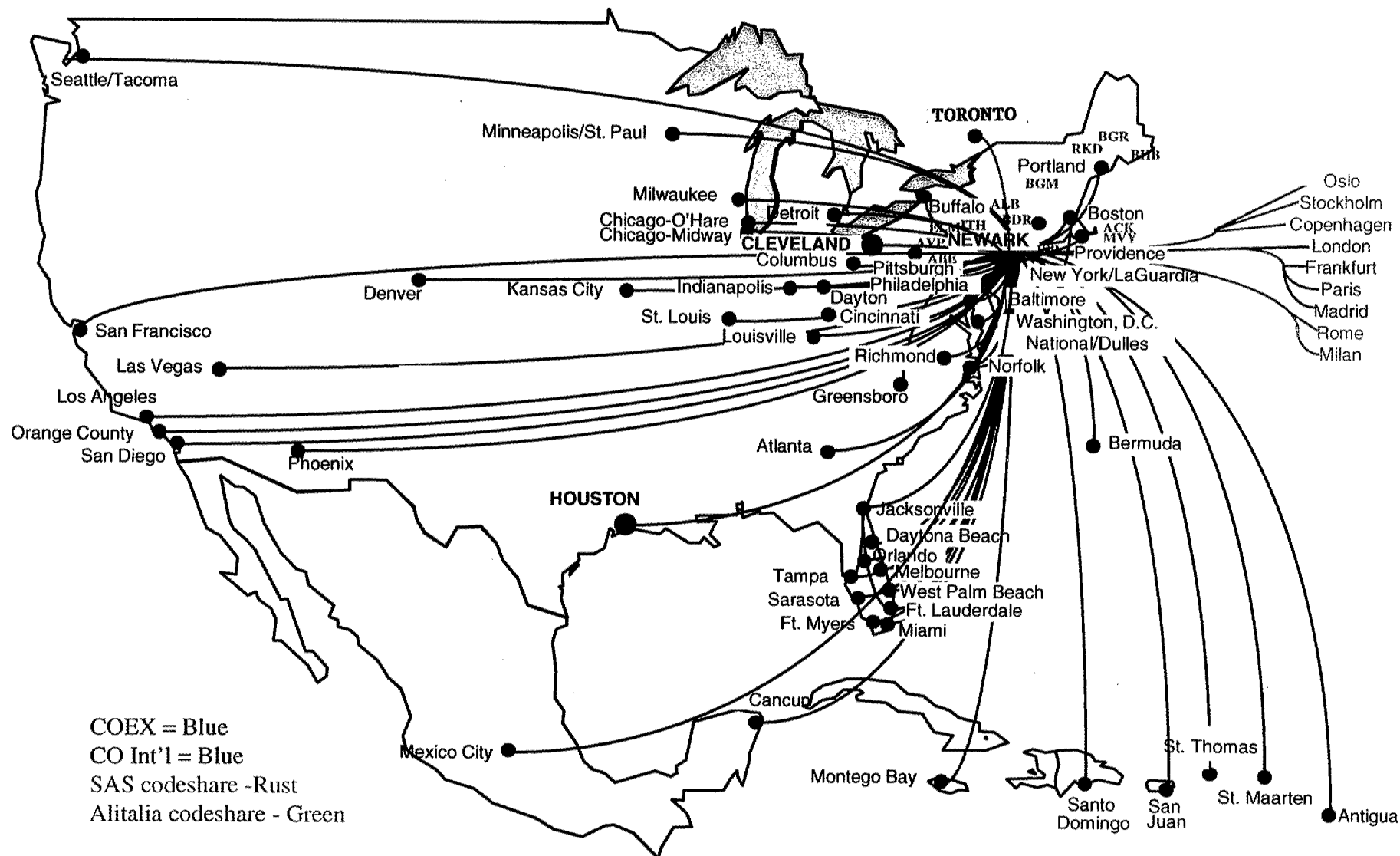
17.50	ALB	17.50
17.50	MBJ	17.50
17.55	LAX	17.55
18.02	CMH	18.02
18.10	ANU	18.10
18.15	MSY	18.15
18.29	CLE	18.29
18.40	DAY	18.40
18.45	GSO	18.45
18.56	IAH	18.56
18.59	TPA	18.59
19.00	ABE	19.00
19.01	SYR	19.01
19.03	ORD	19.03
19.03	PBI	19.03
19.05	BGM	19.05
19.08	SJU	19.08
19.08	STL	19.08
19.10	PIT	19.10
19.11	BUF	19.11
19.11	DTW	19.11
19.14	BTX	19.14
19.14	DCA	19.14
19.15	AKB	19.15
19.15	BDL	19.15
19.15	CUN	19.15
19.16	MIA	19.16
19.18	DEN	19.18
19.19	FLL	19.19
19.20	PHL	19.20
19.20	PWM	19.20
19.20	ROC	19.20
19.22	MCO	19.22
19.22	RIC	19.22
19.25	LAS	19.25
19.29	ATL	19.29
19.30	PVD	19.30
19.40	ACY	19.40
19.40	MHT	19.40
19.45	JAX	19.45
19.54	BOS	19.54
19.55	BWI	19.55
20.00	ORF	20.00

LV FLL 16.20

LV EWR
ARR YYZ
20.30
22.00

MINIMUM CONNECTION TIME IS 30 MINUTES

CONTINENTAL'S NEWARK ROUTE SYSTEM



CONTINENTAL AIRLINES

CONTINENTAL'S PROPOSED PASSENGER FARES

<u>Newark to Toronto</u>	<u>Proposed Fares</u>	<u>Passenger Distribution</u>	<u>Weighted Average of All Fares</u>		
			<u>All Fares</u>	<u>Without First</u>	<u>Discount Fares Only</u>
<u>FULL FARE</u>					
* First Class	198	5.3%			
* Economy	152	<u>22.5%</u>			
Subtotal		27.8%	<u>161</u>	<u>152</u>	
<u>DISCOUNT</u>					
* 14-day Apex	95	56.2%			
* 7-day Apex	133	6.3%			
* Free	0	<u>9.7%</u>			
Subtotal		72.2%	<u>86</u>	<u>86</u>	<u>86</u>
 BEFORE DILUTION					
* Average Fare			106	104	86
* Average Yield			30.2	29.6	24.3
Dilution (%)			10.2%	10.2%	10.2%
 AFTER DILUTION					
* Average Fare			96	93	77
* Average Yield			27.2	26.5	21.8

NOTES:

1. All fares shown in half-roundtrip USD levels.
2. CAD fares originating in Canada are calculated at USD x 1.32.

SOURCE: Continental Airlines Company Records

CONTINENTAL'S PROPOSED PASSENGER FARES

<u>Orlando to Toronto</u>	<u>Proposed Fares</u>	<u>Passenger Distribution</u>	<u>Weighted Average of All Fares</u>		<u>Discount Fares Only</u>
			<u>All Fares</u>	<u>Without First</u>	
<u>FULL FARE</u>					
* First Class	325	3.2%			
* Economy	202	<u>6.8%</u>			
Subtotal		10.0%	<u>241</u>	<u>202</u>	
<u>DISCOUNT</u>					
* 7-day Instant Purchase	110	54.8%			
* 7-day Apex	140	31.4%			
* Free	0	<u>3.8%</u>			
Subtotal		90.0%	<u>116</u>	<u>116</u>	<u>116</u>
<u>BEFORE DILUTION</u>					
* Average Fare			128	124	116
* Average Yield			10.0	9.6	9.0
Dilution (%)			13.5%	13.5%	13.5%
<u>AFTER DILUTION</u>					
* Average Fare			111	108	100
* Average Yield			8.6	8.3	7.8

NOTES:

1. All fares shown in half-roundtrip USD levels.
2. CAD fares originating in Canada are calculated at USD x 1.32.

SOURCE: Continental Airlines Company Records

CONTINENTAL'S PROPOSED PASSENGER FARES

Fort Lauderdale to Toronto	Proposed Fares	Passenger Distribution	Weighted Average of All Fares		
			All Fares	Without First	Discount Fares Only
<u>FULL FARE</u>					
• First Class	363	5.3%			
• Economy	229	9.5%			
Subtotal		14.8%	277	229	
<u>DISCOUNT</u>					
• 7-day Instant Purchase	124	67.2%			
• 7-day Apex	154	6.3%			
• Free	0	11.7%			
Subtotal		85.2%	109	109	109
 <u>BEFORE DILUTION</u>					
• Average Fare			134	127	109
• Average Yield			9.3	8.8	7.6
Dilution (%)			16.9%	16.9%	16.9%
 <u>AFTER DILUTION</u>					
• Average Fare			111	105	91
• Average Yield			7.7	7.3	6.3

NOTES:

1. All fares shown in half-roundtrip USD levels.
2. CAD fares originating in Canada are calculated at USD x 1.32.

SOURCE: Continental Airlines Company Records

CONTINENTAL'S PROPOSED PASSENGER FARE RULES

RULE 2000	Normal First and Economy Class Fares (One-Way)	applicable to EWR/FLL/MCO
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Validity	All year
Stopovers	Unlimited

RULE XXXX	Economy Class Capacity-Controlled Fares (One-Way)	applicable to EWR only
------------------	--	-------------------------------

Validity	All year
Stopovers	Unlimited

RULE 4027	Excursion Fares (Roundtrip)	applicable to EWR only
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Validity	All year
Stopovers	None
Minimum Stay	First Sunday
Maximum Stay	365 days
Reservations	Advance purchase 7 or 14 days as designated in fare class

RULE XXXX	Instant Purchase Fares (Roundtrip)	applicable to FLL/MCO only
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Validity	All Year
Stopovers	None
Minimum Stay	First Sunday
Maximum Stay	365 days
Reservations	Must be made at least 7 days prior to departure
Ticketing	Must be purchased within 24 hours of reservations
Penalties	USD 35 for voluntary reroutes, 100% nonrefundable in case of cancellation

RULE XXXX	Advance Purchase Excursion Fares (Roundtrip)	applicable to FLL/MCO only
------------------	---	-----------------------------------

Validity	All Year
Stopovers	None
Minimum Stay	First Sunday
Maximum Stay	365 days
Reservations	Must be made at least 7 days prior to departure
Ticketing	Must be purchased within 3 days of reservations
Penalties	USD 35 for voluntary reroutes, 100% nonrefundable in case of cancellation

CONTINENTAL AIRLINES
NEWARK-TORONTO
CARGO TRAFFIC FORECAST AND CARGO RATES

Cargo Traffic Forecast

Based on historical Internal Continental data, Newark-Toronto service is forecasted to carry 206 kilograms per trip, or 300,760 kilograms annually on the two daily trips.

Cargo Rates

Proposed cargo rates are:

From Newark to Toronto in U.S.D.

<u>Kilos</u>	<u>Price/Kilo</u>
Minimum	22.00
1 Kilo	1.00
45 Kilos	0.70
100 Kilos	0.60

From Toronto to Newark in C.A.D.

<u>Kilos</u>	<u>Price/Kilo</u>
Minimum	28.00
1 Kilo	1.10
45 Kilos	0.75
100 Kilos	0.65

CONTINENTAL AIRLINES, INC.

NARRATIVE INTRODUCTION TO NEWARK-TORONTO TRAFFIC FORECAST

The following exhibits illustrate the traffic results of Continental's services between Newark and Toronto. Traffic has been forecast for each of the markets to each of the points on Continental's global route system that will receive on-line or code-share service. Traffic forecasts were derived using the Department's O&D data as they appear in Table 15 of the combined Transborder O&D Survey. The data (year ended Fourth Quarter 1993) provided have been adjusted for carrier understatements, based on Continental's historic experience comparing actual traffic with reported O&D traffic (see Exhibit CO-301). Total industry demand for the twelve months ending March 1996 was developed by applying the growth factor that is presented in Exhibit 301. Continental's conservative growth for the Toronto market was derived from recent historic U.S.-Toronto experience. Continental's market share of the projected market was developed from an internal forecasting model which includes alternative schedule convenience, consumer preferences, and Continental's historic performance and market presence in each of the points. The model weighed alternative routings available and projected based on current information, adjusted for number of stops, connections, and degree of circuitry. Industry schedules were analyzed from the March 1995 Official Airline Guide. Continental also included a conservative forecast of traffic carried between internal Canadian points served by Air Canada, on the one hand, and Newark and internal U.S. points served through Newark, on

the other hand. Furthermore, Continental assumed that its alliance with Air Canada will provide a minor marketing benefit in Toronto, producing a slight premium for traffic originating in Toronto.

[15041731]

CONTINENTAL AIRLINES PASSENGER FORECAST
U.S. TO TORONTO, CANADA
TWELVE MONTHS ENDING MARCH 31, 1996

CARRIER	(1)		(2)	(3)		(4)	(5)		(6)	(7)
	TRUE	FOR UNDER-	ADJ	ADJ	ANNUAL	ADJ	PAX	MKT	CO	CO
	O&D	REPORTING	1993	1993	GROWTH	1995	1995	SHARE		ADJ PAX 1995
EWNR (8)	259,585	10.00%	285,543	5.00%	299,820	20.00%	59,964			
ABE	4,200	10.00%	4,620	5.00%	4,851	20.00%	970			
ABQ	9,280	10.00%	10,208	5.00%	10,718	2.50%	268			
ACY	1,450	10.00%	1,595	5.00%	1,675	20.00%	335			
ALB	1,780	10.00%	1,958	5.00%	2,056	10.00%	206			
ATL	90,110	10.00%	99,121	5.00%	104,077	2.00%	2,082			
AUS	9,410	10.00%	10,351	5.00%	10,869	1.00%	109			
BDL	21,000	10.00%	23,100	5.00%	24,255	10.00%	2,426			
BGM	290	10.00%	319	5.00%	335	20.00%	67			
BGR	1,080	10.00%	1,188	5.00%	1,247	2.50%	31			
BPT	350	10.00%	385	5.00%	404	0.10%	0			
BRO	10	10.00%	11	5.00%	12	0.10%	0			
BTR	2,450	10.00%	2,695	5.00%	2,830	0.10%	3			
BUF	910	10.00%	1,001	5.00%	1,051	10.00%	105			
BWI	19,450	10.00%	21,395	5.00%	22,465	2.50%	562			
CHS	4,520	10.00%	4,972	5.00%	5,221	10.00%	522			
CLE	50,990	10.00%	56,089	5.00%	58,893	2.00%	1,178			
CLL	400	10.00%	440	5.00%	462	0.10%	0			
CMH	12,700	10.00%	13,970	5.00%	14,669	5.00%	733			
CRP	2,110	10.00%	2,321	5.00%	2,437	0.10%	2			
DAB	4,440	10.00%	4,884	5.00%	5,128	10.00%	513			
DAY	3,860	10.00%	4,246	5.00%	4,458	10.00%	446			
ELP	4,200	10.00%	4,620	5.00%	4,851	0.10%	5			
ESF	300	10.00%	330	5.00%	347	0.10%	0			
FLL	40,740	10.00%	44,814	5.00%	47,055	12.50%	5,882			
GSO	8,520	10.00%	9,372	5.00%	9,841	10.00%	984			
GSP	6,160	10.00%	6,776	5.00%	7,115	5.00%	356			
HRL	2,310	10.00%	2,541	5.00%	2,668	0.10%	3			
IAH	29,070	10.00%	31,977	5.00%	33,576	2.00%	672			
IND	16,710	10.00%	18,381	5.00%	19,300	2.50%	483			
JAX	9,050	10.00%	9,955	5.00%	10,453	12.50%	1,307			
LAS	31,900	10.00%	35,090	5.00%	36,845	0.10%	37			
LCH	220	10.00%	242	5.00%	254	0.10%	0			
LFT	660	10.00%	726	5.00%	762	0.10%	1			
LRD	320	10.00%	352	5.00%	370	0.10%	0			
MAF	570	10.00%	627	5.00%	658	0.10%	1			
MCO	74,340	10.00%	81,774	5.00%	85,863	12.50%	10,733			
MDT	5,370	10.00%	5,907	5.00%	6,202	10.00%	620			
MIA	1,640	10.00%	1,804	5.00%	1,894	0.10%	2			
MMA	217,660	10.00%	239,426	5.00%	251,397	1.00%	2,514			
ORF	5,020	10.00%	5,522	5.00%	5,798	10.00%	580			
PBI	20,030	10.00%	22,033	5.00%	23,135	10.00%	2,313			
PHL	107,190	10.00%	117,909	5.00%	123,804	1.00%	1,238			
PHX	49,030	10.00%	53,933	5.00%	56,630	2.50%	1,416			
PVD	2,410	10.00%	2,651	5.00%	2,784	20.00%	557			
RIC	7,350	10.00%	8,085	5.00%	8,489	20.00%	1,698			
RSW	17,660	10.00%	19,426	5.00%	20,397	10.00%	2,040			
SAT	12,650	10.00%	13,915	5.00%	14,611	0.10%	15			
SJU	11,840	10.00%	13,024	5.00%	13,675	5.00%	684			

CONTINENTAL AIRLINES PASSENGER FORECAST
U.S. TO TORONTO, CANADA
TWELVE MONTHS ENDING MARCH 31, 1996

	(1) TRUE O&D	(2) ADJ FOR UNDER- REPORTING	(3) ADJ PAX 1993	(4) AVG ANNUAL GROWTH	(5) ADJ PAX 1995	(6) CO MKT SHARE	(7) CO ADJ PAX 1995
CO MKTS							
SRQ	10250	10.00%	11,275	5.00%	11,839	10.00%	1,184
TPA	206,400	10.00%	227,040	5.00%	238,392	2.00%	4,768
TUS	13,110	10.00%	14,421	5.00%	15,142	0.10%	15
VCT	10	10.00%	11	5.00%	12	0.10%	0
WAS	45,970	10.00%	50,567	5.00%	53,095	2.00%	1,062
TOTAL	1,459,035		1,604,938		1,685,185		111,688

ADDITIONAL TRAFFIC

SUB-TOTAL	111,688
CODE-SHARE PREMIUM	5,584
DOMESTIC U.S. TO SECONDARY CANADIAN CITIES	7,300
EUROPE TO CANADA	1,460
TOTAL ANNUAL TRAFFIC	126,032

FOOTNOTES

- (1) AS REPORTED BY DOT FILE PC-IR-2A; 12 MONTHS ENDED DECEMBER, 1993
- (2) INDUSTRY UNDERREPORTING ERRORS BASED ON HISTORICAL COMPARISONS
- (3) COLUMN 1 MULTIPLIED BY COLUMN 2
- (4) PROJECTED ANNUAL GROWTH BASED ON INTERNAL CO MODEL
- (5) COLUMN 4 MULTIPLIED BY COLUMN 3
- (6) PROJECTED CO MARKET SHARE BASED ON INTERNAL CO MODEL
- (7) COLUMN 6 MULTIPLIED BY COLUMN 5
- (8) NEW YORK MARKET SIZE ALLOCATED TO AIRPORTS BASED ON COMPANY EXPERIENCE

CONTINENTAL AIRLINES, INC.

NARRATIVE INTRODUCTION TO FINANCIAL PROJECTIONS

The following exhibits illustrate the financial results of Continental Airlines' services between Newark and Toronto. Continental's services will be profitable in the first year of operation.

To develop unit costs for its B737-300 operations, Continental used Continental's Domestic entity Form-41 aircraft specific data for the year ended September 1995. Further development of these costs is explained in Exhibit CO-401.

Start-up costs are derived from a combination of actual market rates for purchased services and historic Continental start-up costs for North American operations.

[15041735]

ESTIMATED PROFIT & LOSS STATEMENT

EWR-YYZ

(B737-300)

Operating Revenues	
Passenger Revenues	\$13,527,930
Cargo Revenues	\$360,912
Miscellaneous Other Revenues 1/	\$161,253
Total Operating Revenues	\$14,050,095
Operating Expenses	
Flying Operations	\$1,448,604
Maintenance	\$765,924
Passenger Service	\$652,090
Aircraft Servicing	\$560,327
Traffic Servicing	\$1,880,446
Reservations and Sales	\$2,189,856
Commissions	\$1,227,103
Advertising	\$132,876
General and Administrative	\$439,292
Aircraft Rental	\$931,334
Depreciation & Amortization-Flight	\$295,042
Total Operating Expenses	\$10,522,893
Operating Profit	\$3,527,202
Start-up costs	\$167,106
Beyond Traffic Variable Expenses	\$1,173,037
Total Profit	\$2,187,059

1/ Miscellaneous Other Revenues as a % of Pax Revenues - Domestic (FORM 41-Sched. P1.2 for the year ended September 30, 1994)

ESTIMATED OPERATING EXPENSES
NEWARK - TORONTO

EXPENSE CATEGORY	UNIT	UNIT COST	UNITS	TOTAL COST
Flying Operations				
Fuel	TBH/AS	\$393.40	2,042	\$803,321
Crew	TBH/AS	\$225.79	2,042	\$461,064
Other Flying Operations	TBH/AS	\$90.22	2,042	\$184,219
A/C Maintenance—Flight	TBH/AS	\$232.19	2,042	\$474,124
A/C Maintenance—Burden	TBH/AS	\$80.85	2,042	\$165,089
Depr & Amort—Flight	TBH	\$144.49	2,042	\$295,042
Aircraft Rent	TBH	\$456.09	2,042	\$931,334
Maintenance—Ground	DEPT	\$10.85	1,438	\$15,599
Depreciation—Ground	DEPT	\$77.27	1,438	\$111,112
Passenger Service				
Flight Attendants	TBH	\$197.23	2,042	\$402,738
In—Flight Service	1000 RPM	\$5.67	43,985	\$249,351
Aircraft Servicing				
Line Service	DEPT	\$115.41	1,438	\$165,953
Control	DEPT	\$57.55	1,438	\$82,754
Landing Fees	DEPT	\$216.70	1,438	\$311,620
Traffic Servicing	RPE	\$14.92	126,032	\$1,880,446
Reservations & Sales (excl. Comm.)	RPE	\$17.38	126,032	\$2,189,856
Commissions				
Passenger	PAX REV	9.04%	13,527,930	\$1,222,589
Cargo	FRT REV	1.25%	360,912	\$4,514
Advertising	1000 RPM	\$3.02	43,985	\$132,876
General Administrative	1000 ASM	\$6.84	64,238	\$439,292
Total Operating Expenses				\$10,522,893

CONTINENTAL AIRLINES
B737-300 UNIT COSTS
YEAR ENDED 3rd QUARTER 1994

Docket 50168
Exhibit CO-401
Page 3 of 4

EXPENSE CATEGORY	AIRCRAFT SPECIFIC	TOTAL COSTS INCURRED	UNIT	UNIT COST
Flying Operations				
Fuel	YES	\$79,408,000	TBH/AS	\$393.40
Crew	YES	\$45,576,000	TBH/AS	\$225.79
Other Flying Operations	YES	\$18,210,000	TBH/AS	\$90.22
A/C Maintenance-Flight	YES	\$46,867,000	TBH/AS	\$232.19
A/C Maintenance-Burden	YES	\$16,319,000	TBH/AS	\$80.85
Depr & Amort-Flight	NO	\$139,313,000	TBH	\$144.49
Aircraft Rent	YES	\$92,062,000	TBH/AS	\$456.09
Maintenance-Ground	NO	\$5,291,000	DEPT	\$10.85
Depreciation-Ground	NO	\$37,689,000	DEPT	\$77.27
Passenger Service				
Flight Attendants	NO	\$190,165,000	TBH	\$197.23
In-Flight Service	NO	\$173,454,000	1000 RPM	\$5.67
Aircraft Servicing				
Line Service	NO	\$56,291,000	DEPT	\$115.41
Control	NO	\$28,070,000	DEPT	\$57.55
Landing Fees	NO	\$105,701,000	DEPT	\$216.70
Traffic Servicing	NO	\$538,190,000	RPE	\$14.92
Reservations & Sales	NO	\$626,744,000	RPE	\$17.38
Commissions				
Passenger	NO	\$323,902,000	PAX REV	9.04%
Cargo	NO	\$1,788,000	FRT REV	1.25%
Advertising	NO	\$92,431,000	1000 RPM	\$3.02
General Administrative	NO	\$332,090,000	1000 ASM	\$6.84

TBH/AS = TOTAL BLOCK HOURS AIRCRAFT SPECIFIC	201,851
TBH = TOTAL BLOCK HOURS	964,192
DEPT = DEPARTURES	487,767
1000 RPM = REVENUE PASSENGER MILES (000's)	30,597
1000 ASM = AVAILABLE SEAT MILES (000's)	48,562
RPE = REVENUE PASSENGER ENPLANED	36,070,779
PAX REV = PASSENGER REVENUE	3,583,970,000
FRT REV = FREIGHT REVENUE (INCL. MAIL)	142,958,000

SOURCE: FORM 41 as reported for the year ended September 30, 1994 by Continental Airlines, Domestic Entity

CONTINENTAL AIRLINES

Docket 50168
Exhibit CO-401
Page 4 of 4

ESTIMATED OPERATING STATISTICS

EWR - YYZANNUALPer Departure

Segment Length	349
Average Block Time (1:25 one way)	1.42
Seats	128

Total Operating

Departures	1,438
Aircraft Miles	501,862
Block Hours	2,042
Departed Seats	184,064
Enplaned Passengers	126,032
ASMs	64,238,336
RPMs	43,985,168

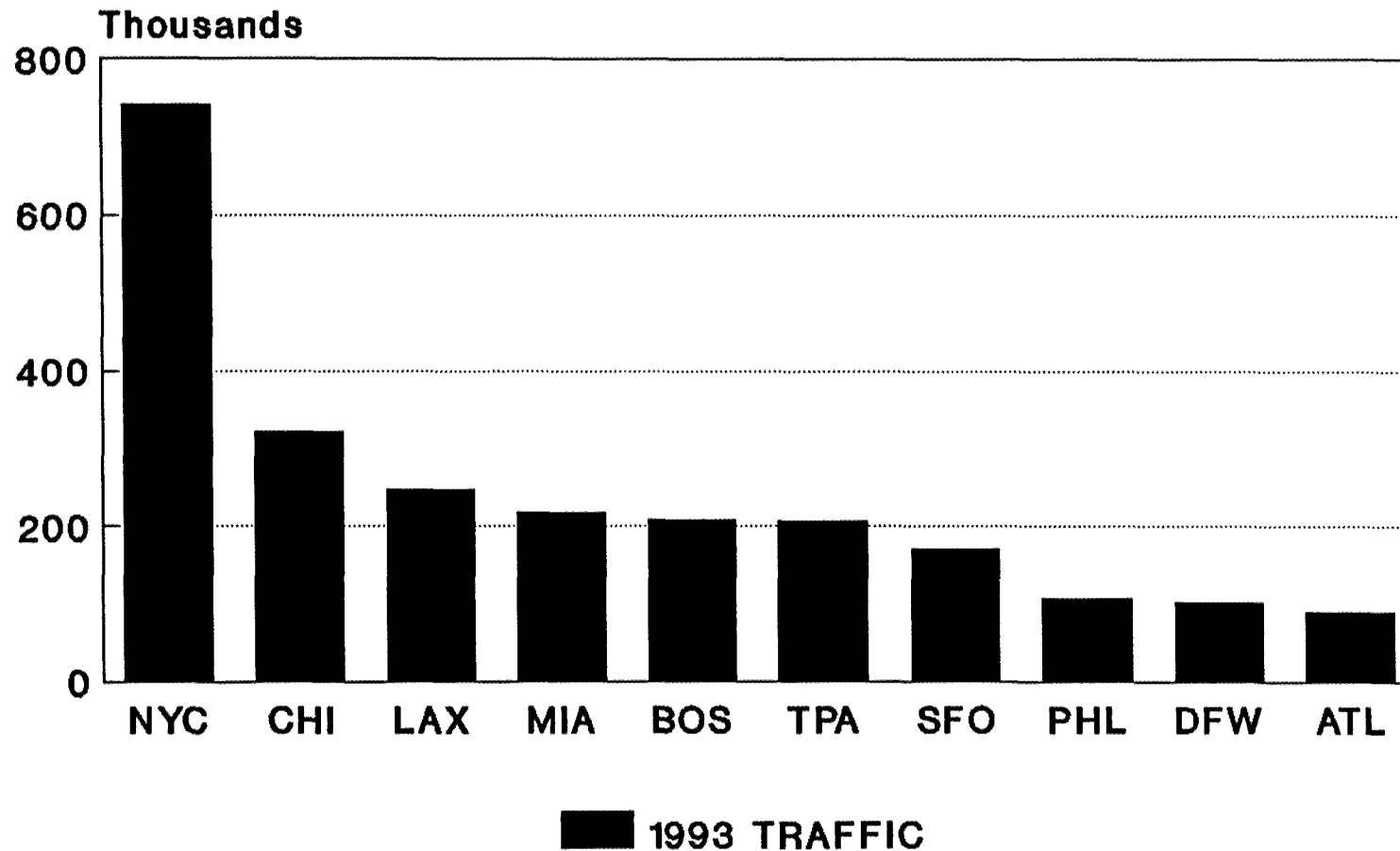
CONTINENTAL AIRLINES, INC.

ESTIMATED START-UP COSTS FOR TORONTO

<u>EXPENSE CATEGORY</u>	<u>AMOUNT</u>
Advertising and Promotion	\$134,666
Telecommunications	\$10,906
Facilities	\$11,533
Training	\$6,667
Other Miscellaneous	<u>\$3,333</u>
TOTAL	167,105

[15041706]

NEWARK/NEW YORK IS THE LARGEST U.S. - TORONTO MARKET



SOURCE: DOT FILE PC-IR-2A

NEW YORK IS THE LARGEST U.S. – TORONTO MARKET

RANK	CITY CODE	ORIGIN CITY	1993 TRAFFIC (1)	% OF TOTAL TRAFFIC
<hr/>				
		OVERALL TOTALS	3,837,220	100.00%
1	NYC	NEWARK, N.J./NEW YORK	741,670	19.33%
2	CHI	CHICAGO, ILLINOIS, US	321,150	8.37%
3	LAX	LOS ANGELES, CALIFORN	247,580	6.45%
4	MIA	MIAMI, FLORIDA, USA	217,660	5.67%
5	BOS	BOSTON, MASSACHUSETTS	207,990	5.42%
6	TPA	TAMPA, FLORIDA, USA	206,400	5.38%
7	SFO	SAN FRANCISCO, CALIFO	171,040	4.46%
8	PHL	PHILADELPHIA, PA/WILM	107,190	2.79%
9	DFW	DALLAS/FT. WORTH, TEX	102,130	2.66%
10	ATL	ATLANTA, GEORGIA, USA	90,110	2.35%
11	DTW	DETROIT, MICHIGAN, US	76,510	1.99%
12	MCO	ORLANDO, FLORIDA, USA	74,340	1.94%
13	MSP	MINNEAPOLIS/ST.PAUL,	51,290	1.34%
14	CLE	CLEVELAND, OHIO, USA	50,990	1.33%
15	PHX	PHOENIX, ARIZONA, USA	49,030	1.28%
16	WAS	WASHINGTON, D.C., USA	45,970	1.20%
17	BNA	NASHVILLE, TENNESSEE,	42,240	1.10%
18	FLL	FT. LAUDERDALE, FLORI	40,740	1.06%
19	DEN	DENVER, COLORADO, USA	39,820	1.04%
20	PIT	PITTSBURGH, PENNSYLVIA	32,180	0.84%
		TOP TWENTY MARKETS	2,916,030	75.99%
21-474		ALL OTHERS	921,190	24.01%

(1) TRAFFIC DATA FROM DOT FILE PC-IR-2A

CONTINENTAL WILL BE ABLE TO ACCESS
20 INTERIOR CANADIAN POINTS
THROUGH ITS ALLIANCE WITH AIR CANADA

AIR CANADA/AIR CANADA ALLIANCE SERVICE FROM TORONTO

CALGARY
CHARLOTTETOWN (1 STOP)
EDMONTON
FREDERICTON
HALIFAX/DARTMOUTH
LONDON, ONTARIO
MONCTON
NORTH BAY
OTTAWA
REGINA/MOOSE JAW
SAINT JOHN, N.B.
ST. JOHN'S, N.F.
SARNIA
SASKATOON
SAULT STE. MARIE
SUDBURY
THUNDER BAY
TIMMINS
WINDSOR
WINNIPEG

MOST OTHER APPLICANTS ALREADY HAVE ACCESS AT TORONTO

<u>APPLICANT/AFFILIATE</u>	<u>AUTHORIZED U.S. GATEWAY¹</u>
Continental	None ²
Delta	Albany (Business Express) Cincinnati (Comair) Hartford (Business Express) Miami (Delta) (service to be suspended) Pittsburgh (Delta) Syracuse (Business Express) Tampa (Delta) (service to be suspended) Washington, D.C. (IAD) (Business Express) Buffalo (not operated)
Flagship	Chicago (American) Dallas/Ft. Worth (American) Nashville (American) (service to be suspended) New York (LGA) (American) Albany (American; not operated) Buffalo (American; not operated) Houston (American; not operated) Rochester (American; not operated) Scranton/Wilk (American; not operated) Syracuse (American; not operated)

¹ Excludes Toronto exemption authority granted by Order 95-2-52.

² Excludes Eastern/Continental route 148 authority awarded but never implemented due to lack of bilateral rights for the following cities: Albany; Atlanta; Augusta; Birmingham; Boston; Baltimore; Columbia; Akron/Canton; Chattanooga; Chicago; Charleston; Cleveland; Charlotte; Columbus, OH; Corpus Christi; Columbus, GA; Cincinnati; Daytona Beach; Detroit; Evansville; Ft. Lauderdale; Gainesville; Greensboro; Greenville; Hartford; New Haven; Indianapolis; Jacksonville; Lexington/Frankfort; Montgomery; Miami; Milwaukee; Melbourne; Mobile; Minneapolis/St. Paul; New Orleans; New York; Orlando; West Palm Beach; Philadelphia; Pensacola; Providence; Raleigh/Durham; Richmond; Roanoke; San Antonio; Louisville; Sarasota; St. Louis; Toledo; Tampa; Washington.

MOST OTHER APPLICANTS ALREADY HAVE ACCESS AT TORONTO

<u>APPLICANT/AFFILIATE</u>	<u>AUTHORIZED U.S. GATEWAY³</u>
Flagship (cont'd)	Miami (American service to be started) Tampa (American service to be started)
Northwest	Detroit (Northwest) Los Angeles (not operated) Milwaukee (not operated)
TWA	None
USAir	Boston (USAir) Baltimore (served by USAir Express) Cleveland (USAir) Dayton (served by USAir Express) Indianapolis (served by USAir Express) Philadelphia (USAir) Rochester (USAir) Washington (served by USAir Express) Buffalo (not operated) Erie (not operated) Syracuse (not operated)

Source: Exhibit DL-134, Docket 50049; U.S. Air Carrier -- International Route Authority, DOT, June 1, 1994.

[1064266]

³ Excludes Toronto exemption authority granted by Order 95-2-52.

CONTINENTAL AIRLINES, INC.

RESPONSES TO INTERROGATORIES

(1) If selected as backup, Continental will accept a condition in its certificate which (a) permits it to implement authority within the first year should the primary carrier withdraw from the market and (b) expires at the end of one year should the authority not be activated.

(2) If selected for primary authority, Continental will accept a condition in the certificate requiring institution of service by a date specified by the Department. The Department should specify start-up within 30 days of the award.

[15041730]

Toronto/D.50168/Service List
Direct Exhibits
[15041708]

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